

**Supporting Statement for
Intermittent Survey of Businesses
(FR 1374; OMB No. 7100-0302)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the voluntary Intermittent Survey of Businesses (FR 1374; OMB No. 7100-0302). The survey data are used by the Federal Reserve to gather information specifically tailored to the Federal Reserve's policy and operational responsibilities. There are two parts to this event-generated survey. First, the Federal Reserve Banks survey business contacts as economic developments warrant. Currently, they conduct these surveys two times per year, with approximately 120 business respondents for each survey (about ten per Reserve Bank). It is necessary to conduct these surveys to provide timely information to members of the Board and to presidents of the Reserve Banks. Usually, these surveys are conducted by Reserve Bank economists telephoning or emailing purchasing managers, economists, or other knowledgeable individuals at selected, relevant businesses. The frequency and content of the questions, as well as the businesses contacted, vary depending on changing developments in the economy. The attachment provides a sample of the types of questions used in a recent survey to illustrate the format of these surveys. Second, economists at the Board survey business contacts by telephone, inquiring about current business conditions. Historically, these surveys have been conducted biweekly, with approximately ten respondents for each survey.

The Federal Reserve proposes to revise the frequency of both parts of the survey in response to recent changes in the demand for these data by the Board members. The Reserve Bank part of the survey would be conducted as economic events dictate (about three times per year). The Board part of the survey would be conducted on an event-generated basis, no more than ten times per year. In addition, the Federal Reserve proposes to increase the number of respondents for the Reserve Bank part of the survey from 120 to 240 (twenty per Reserve Bank). The estimated annual burden for both parts of the survey would increase to 205 hours from 125 hours with the proposed revisions.

Background and Justification

Prior to the 2002 implementation of this survey, the Federal Reserve found it helpful to collect information on an ad-hoc basis from individuals within the business community on a real-time basis. This information typically reflected current business conditions and ongoing developments in the economy as well as relevant topic issues. Prior to 2002, the Federal Reserve limited its contacts to fewer than nine firms and asked open-ended questions. However, the Federal Reserve believes that intermittently it is extremely valuable to talk with more firms and ask more targeted questions, which are critical to understanding the current economic situation and outlook. This is especially true for the surveys conducted by Reserve Banks. An in-depth understanding of overall business conditions and the types of special issues shown in the attachment can only be gleaned in real time through direct discussions with contacts at relevant

business firms. The information gathered in surveys conducted by Board economists is disseminated to the Board members. For surveys conducted by Reserve Banks, information also goes to the presidents of the Reserve Banks. The information also is used by the Federal Reserve as input to the analysis of prospective economic developments.

Description of Information Collection

The topics discussed with the respondents are time sensitive, and the questions vary with the topic. There is no reporting form because the questions typically change with each survey. For each survey, the Federal Reserve prepares in advance questions of specific topical interest. The Federal Reserve then determines a relevant target group of firms to contact. If conducted by telephone, the discussions could last up to twenty minutes, with the typical conversation lasting approximately fifteen minutes. The Federal Reserve tabulates the results of the Reserve Bank surveys and prepares a brief summary of the results. The tabulation and the summary, along with the submissions from the individual Reserve Banks are then circulated to the members of the Board and Reserve Bank presidents. For the Board surveys, a memo is prepared for the Board members summarizing the survey results.

Proposed Revisions

The Federal Reserve proposes that the frequency for the Reserve Bank surveys be increased to three times per year and the number of respondents be increased from 120 to 240 to provide better representation of the developments within each District. In addition, the Federal Reserve proposes that the frequency for the surveys conducted directly by the Board economists be changed from biweekly to event-generated since the data are no longer needed on a biweekly basis. The Federal Reserve anticipates conducting these surveys approximately ten times per year.

Time Schedule for Information Collection

The surveys are conducted on an intermittent basis. As soon as all the Reserve Banks have submitted their materials, the tabulation and summary memo are prepared and distributed, along with the individual Reserve Bank materials, to the relevant audience. Experience has shown that the preparation and distribution of each survey typically takes about two and a half hours.

Legal Status

The Board's Legal Division has determined that the Board is authorized to collect this information (12 U.S.C. §§225a and 263) and that respondent participation in the survey is voluntary. Although the names of the participating businesses would be disclosed in the summary memo and the memo might contain information provided to the Board and staff for internal use only, exemption 4 of the Freedom of Information Act (5 U.S.C. §552(b)(4)) may exempt this information from disclosure to the public.

Consultation Outside the Agency

On July 23, 2007, the Federal Reserve published a notice in the *Federal Register* (72 FR 40152) requesting public comment for 60 days on the extension, with revision, of the survey. The comment period for this notice expires on September 21, 2007.

Estimate of Respondent Burden

For surveys conducted by the Board economists, the frequency would be changed from biweekly to event-generated, with approximately ten surveys per year. For surveys conducted by the Reserve Banks, the number of respondents would be roughly 240 (approximately twenty at each Reserve Bank) for each survey and conducted approximately three times per year, as proposed. The average response time for both parts of the survey is estimated to be fifteen minutes. As shown below, the respondent burden for the current FR 1374 is estimated to be about 125 hours annually and would increase to 205 hours with the proposed revisions. The estimated respondent burden represents less than 1 percent of total System burden for all Federal Reserve information collections.

	<i>Number of respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
FR 1374				
Board	10	26	.25	65
Reserve Bank	120	2	.25	<u>60</u>
<i>Total</i>				125
<i>Proposed</i>				
FR 1374				
Board	10	10	.25	25
Reserve Bank	240	3	.25	<u>180</u>
<i>Total</i>				205
				<u>80</u>
<i>Change</i>				

The total estimated annual reporting cost to the public for these reporting forms would increase from \$9,688 to \$15,888.¹

¹ Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by current and proposed annual burden hours, multiplied by hourly rate: 50% - Managerial or Technical @ \$55 and 50% - Senior Management @ \$100. Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics, *Occupational Employment and Wages*, news release.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

Contacting the respondents, compiling the information, and writing the summary memos for the Board surveys involve about 5 hours per year at a cost to the Federal Reserve of roughly \$265. The cost to the Reserve Banks for gathering and compiling the survey data is nominal.

Attachment

Examples of Survey Questions

How are business conditions for your firm?

What's been happening to your firm's order book?

What is your current inventory situation?

What's been happening to your firm's capital spending plans?

What's been happening to prices in your industry?

What's been happening to the prices your firm pays for materials and supplies?

How has the recent change in energy prices affected your firm's costs and sales prospects?

How have recent changes in exchange rates affected business conditions for your firm?